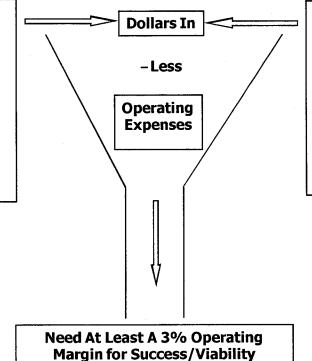
Joint Appropriations Subcommittee On Health And Human Services A Benefis Health System Perspective On Medicaid Expansion John Goodnow, CEO DATE 1/16/13

What Has Been The Typical Revenue Picture In Hospitals

Large losses from: Uninsured Patients/Charity Care/Bad Debt

Smaller losses to breakeven:

Governmental Payors (Medicare, Medicaid, TriCare, IHS, Workers Comp)



Losses covered and operating margin achieved via Cost Shifting (a hidden tax) to:

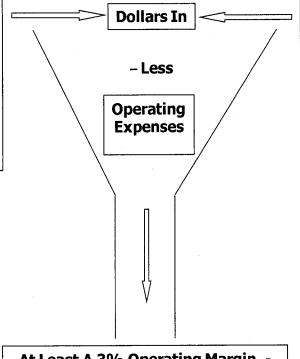
Commercially insured patients and those (businesses and individuals) who pay the costs of that insurance.

Benefis Health System's Goal For 2014

Breakeven on

Governmental Payors (currently 70% of Benefis' patients)

Reduced number of low income Montanans without insurance resulting in lower charity care and bad debt write offs.



Far less cost shifting to:

- Commercially insured Patients and
- Insurance Exchange (which begins in 2014) Patients

This will help to reduce the increase in, or even lower premiums, particularly if other hospitals can do the same. Lower insurance premiums help to attract new business/jobs to Montana.

At Least A 3% Operating Margin - for Success/Viability

• Benefis Health System 2012 Payor Mix:

52%
11%
4%
2%
<u>1%</u>
70%
13%
11%
<u>1%</u>
25%
5%
100%

EXPANSION OF COVERAGE FOR LOW INCOME MONTANAS

- Does Benefis Health System support: Yes
- Why we think the Legislature should support:
 - o Coverage will decrease the "hidden tax" businesses/individuals pay on commercial insurance (per my previous page).
 - O Job creation/positive economic impact in Montana (Gregg Davis, University of Montana Bureau of Business and Economic Research, presented a State-wide high level analysis on 1-12-13. Benefis Health System has also commissioned Gregg to do two studies specific to Cascade County).
 - 1. The impact of the Medicaid expansion (if Montana expands) and the new Insurance Exchange on added demands for ambulatory services (primary care, surgical specialty, medical specialty, hospital outpatient, and hospital emergency department visits per year), and a detailed analysis for primary care capacity and demand in Cascade County.
 - 2. The economic impact of Medicaid expansion (again, if Montana expands) on Cascade county.
 - o Expanded coverage for low income Montanans (vs. them being uninsured) will facilitate them seeking earlier care and using less costly (vs. ERs) settings good for the State from a cost perspective.
 - o The Montana Hospital Association will make recommendations on how to make Medicaid less costly for the State. If we (Providers Hospitals and Physicians, and DPHHS) cannot demonstrate that we can reduce the spend/beneficiary over the next 3 years, the Legislature could decrease eligibility back to current levels in the 2017 session, if necessary. However, I am confident that will not be necessary.